

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Elba Township	County Gratiot
Fiscal Year End March 31, 2007	Opinion Date June 19, 2007	Date Audit Report Submitted to State July 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

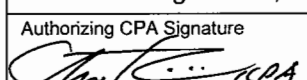
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Steven R. Kirinovic, CPA		License Number 1101022020

**Township of Elba
Gratiot County, Michigan**

FINANCIAL STATEMENTS

March 31, 2007

Township of Elba
Gratiot County, Michigan
March 31, 2007
BOARD OF TRUSTEES

Mr. Roger Slavik	Supervisor
Ms. Angie Morris	Clerk
Ms. Paula Strouse	Treasurer
Mr. Tom Bradley, Jr.	Trustee
Ms. Connie Stehlik	Trustee

Township of Elba

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Elba
Ashley, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Elba, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Elba, Michigan as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007

BASIC FINANCIAL STATEMENTS

Township of Elba
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 143,641
Investments	316,333
Receivables	<u>7,509</u>
Total current assets	467,483
Noncurrent assets	
Capital assets not being depreciated	17,895
Capital assets, net of accumulated depreciation	<u>30,266</u>
Total noncurrent assets	<u>48,161</u>
TOTAL ASSETS	515,644
LIABILITIES	
Accounts payable	1,031
Accrued wages	653
Due to other governmental units	<u>388</u>
TOTAL LIABILITIES	<u>2,072</u>
NET ASSETS	
Invested in capital assets	48,161
Restricted for other purposes	248,315
Unrestricted	<u>217,096</u>
TOTAL NET ASSETS	<u><u>\$ 513,572</u></u>

See accompanying notes to financial statements.

Township of Elba

STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
Governmental activities			
General government	\$ 82,572	\$ 20,446	\$ (62,126)
Public safety	19,179	-	(19,179)
Public works	31,744	-	(31,744)
Health and welfare	3,863	-	(3,863)
Total	<u>\$ 137,358</u>	<u>\$ 20,446</u>	(116,912)
General revenues			
Property taxes			51,461
State shared revenue			59,226
Investment earnings			11,973
Miscellaneous			<u>4,082</u>
Total general revenues			<u>126,742</u>
Change in net assets			9,830
Net assets, beginning of the year			<u>503,742</u>
Net assets, end of the year			<u>\$ 513,572</u>

See accompanying notes to financial statements.

Township of Elba

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	General	Bridge	Fire
ASSETS			
Cash and cash equivalents	\$ 92,393	\$ 22,176	\$ 20,924
Investments	120,518	157,860	3,437
Due from other governmental units	4,759	-	2,161
Due from other funds	-	-	1,312
TOTAL ASSETS	\$ 217,670	\$ 180,036	\$ 27,834
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,031	\$ -	\$ -
Accrued wages	653	-	-
Due to other funds	1,312	-	-
Due to other governmental units	388	-	-
TOTAL LIABILITIES	3,384	-0-	-0-
FUND BALANCES			
Reserved for			
Cemetery maintenance	-	-	-
Unreserved			
Undesignated, reported in			
General fund	214,286	-	-
Special revenue funds	-	180,036	27,834
TOTAL FUND BALANCES	214,286	180,036	27,834
TOTAL LIABILITIES AND FUND BALANCES	\$ 217,670	\$ 180,036	\$ 27,834

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 8,148	\$ 143,641
34,518	316,333
589	7,509
-	1,312
<u>\$ 43,255</u>	<u>\$ 468,795</u>

\$ -	\$ 1,031
-	653
-	1,312
-	388
<u>-0-</u>	<u>3,384</u>

37,027	37,027
-	214,286
<u>6,228</u>	<u>214,098</u>
<u>43,255</u>	<u>465,411</u>
<u>\$ 43,255</u>	<u>\$ 468,795</u>

Township of Elba

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total fund balance - governmental funds \$ 465,411

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds:

The cost of capital assets is	\$ 75,914
Accumulated depreciation is	<u>(27,753)</u>

Capital assets, net	<u>48,161</u>
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Net assets of governmental activities	<u><u>\$ 513,572</u></u>
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See accompanying notes to financial statements.

Township of Elba

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

Year Ended March 31, 2007

	General	Bridge	Fire
REVENUES			
Taxes	\$ 35,671	\$ -	\$ 20,586
Intergovernmental	62,662	-	-
Charges for services	11,150	-	-
Interest and rents	4,806	6,034	115
Other	646	-	-
	<u>114,935</u>	<u>6,034</u>	<u>20,701</u>
TOTAL REVENUES	114,935	6,034	20,701
EXPENDITURES			
Current			
General government	79,732	-	-
Public safety	-	-	19,179
Public works	23,636	4,480	-
Health and welfare	3,863	-	-
	<u>107,231</u>	<u>4,480</u>	<u>19,179</u>
TOTAL EXPENDITURES	107,231	4,480	19,179
EXCESS OF REVENUES OVER EXPENDITURES	7,704	1,554	1,522
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(1,500)	-	-
	<u>(1,500)</u>	<u>-0-</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	(1,500)	-0-	-0-
NET CHANGE IN FUND BALANCES	6,204	1,554	1,522
Fund balances, beginning of year	<u>208,082</u>	<u>178,482</u>	<u>26,312</u>
Fund balances, end of year	<u>\$ 214,286</u>	<u>\$ 180,036</u>	<u>\$ 27,834</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,600	\$ 59,857
-	62,662
900	12,050
1,018	11,973
-	646
5,518	147,188
-	79,732
-	19,179
3,628	31,744
-	3,863
3,628	134,518
1,890	12,670
1,500	1,500
-	(1,500)
1,500	-0-
3,390	12,670
39,865	452,741
\$ 43,255	\$ 465,411

Township of Elba

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

Net change in fund balances - total governmental funds	\$	12,670
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Amounts reported for governmental activities in the statement of activities are different because:

In the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	<u>(2,840)</u>
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Change in net assets of governmental activities	\$	<u>9,830</u>
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See accompanying notes to financial statements.

Township of Elba

Agency Fund

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended March 31, 2007

	Tax Collection
ASSETS	
Cash and cash equivalents	<u>\$ 38,684</u>
LIABILITIES	
Due to other governmental units	
Ashley Community Schools	\$ 25,319
Ovid-Elsie Schools	10,849
Clinon County RESA	<u>2,516</u>
TOTAL LIABILITIES	<u>\$ 38,684</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Elba, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) Townships in Gratiot County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, sewer, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No.5*, these financial statements present all financial activities of the Township of Elba. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Elba contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and nonmajor fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Bridge Fund is used to account for the financial resources related to the maintenance of roads and bridges within the Township.
- c. The Fire Fund is used to account for the financial resources related to providing fire protection to the Township's citizens.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown in the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and total expenditure level for the Special Revenue Fund.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or as amended by the Township Board during the year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consists of savings and checking accounts and certificates of deposit with an original maturing of less than 90 days. Investments consist of certificates of deposit with original maturities of greater than 90 days.

Township of Elba

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Property Tax

The Township of Elba bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1 of the year following the levy. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenue in the period for which they are levied.

The Township is permitted to levy up to \$1.0800 per \$1,000 of assessed valuation for general governmental service and additional amounts for Bridge and Fire. For the year ended March 31, 2007, the Township levied .9318 and .9500 mills for general governmental services and fire protection, respectively. The total taxable value for the 2006 levy for property within the Township was \$28,783,423.

8. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an estimated useful life of more than one year and costs more than \$1,500. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	30 years
Equipment	5 - 25 years

9. Comparative Data

Comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

Township of Elba

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 Days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers' acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000 Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

The Township's deposits at March 31, 2007, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking accounts	\$ 71,546	\$ 74,845
Savings accounts	110,779	110,779
Certificates of deposit	<u>316,333</u>	<u>316,333</u>
	<u>\$ 498,658</u>	<u>\$ 501,957</u>

Deposits of the Township are maintained with federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2007, the Township's accounts were insured by the FDIC for \$174,845 and the amount of \$327,112 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year-end.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2007, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township has not adopted a policy that addresses interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Township of Elba

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Concentration of Credit Risk

The Township has not adopted a policy that addresses concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2007:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 143,641	\$ 38,684	\$ 182,325
Investments	<u>316,333</u>	<u>-</u>	<u>316,333</u>
	<u>\$ 459,974</u>	<u>\$ 38,684</u>	<u>\$ 498,658</u>

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007, was as follows:

Governmental activities

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
Capital assets not being depreciated:				
Land	\$ 17,895	\$ -	\$ -	\$ 17,895
Capital assets being depreciated:				
Buildings and improvements	24,000	-	-	24,000
Equipment	<u>34,019</u>	<u>-</u>	<u>-</u>	<u>34,019</u>
Total capital assets being depreciated	58,019	-0-	-0-	58,019
Less accumulated depreciation for:				
Buildings and improvements	(3,200)	(800)	-	(4,000)
Equipment	<u>(21,713)</u>	<u>(2,040)</u>	<u>-</u>	<u>(23,753)</u>
Total accumulated depreciation	<u>(24,913)</u>	<u>(2,840)</u>	<u>-0-</u>	<u>(27,753)</u>
Net capital assets being depreciated	<u>33,106</u>	<u>(2,840)</u>	<u>-0-</u>	<u>30,266</u>
Net capital assets - governmental activities	<u>\$ 51,001</u>	<u>\$ (2,840)</u>	<u>\$ -0-</u>	<u>\$ 48,161</u>

Depreciation expense was charged to the following governmental activities:

General government	<u>\$ 2,840</u>
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Township of Elba

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE D: FUND BALANCE RESERVES

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use.

The following is the fund balance reserve as of March 31, 2007:

Nonmajor Governmental Fund	
Cemetery Perpetual Care	
Reserved for cemetery maintenance	\$ <u>37,027</u>

NOTE E: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of March 31, 2007:

Governmental activities	
Restricted for	
Perpetual care	\$ 37,027
Street lights	3,418
Bridge projects	180,036
Fire protection	<u>27,834</u>
	\$ <u>248,315</u>

NOTE F: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the basic financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended March 31, 2007, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Supervisor	\$ 3,500	\$ 3,750	\$ 250
Treasurer	13,660	13,740	80
Township Hall	14,050	14,559	509
Transfer out	-	1,500	1,500
Bridge Fund			
Public works	-	4,480	4,480

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE G: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

NOTE H: RETIREMENT PLAN

The Township of Elba is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Elba Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on an employee's annual calendar year compensation. During the year ended March 31, 2007, the Township of Elba made contributions for all participating employees of 10% per employee.

All Township employees are eligible to participate in the plan. All eligible employees, except Board of Review members, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with the Travelers Insurance Company through Municipal Retirement Systems, Inc.

For the year ended March 31, 2007, the Township of Elba had a total payroll of \$35,788. The Township of Elba Retirement Plan covered payroll for the period ended March 31, 2007 of \$25,500. The Township of Elba made contributions for the 2006 plan year to the retirement plan in the amount of \$2,550.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Elba

General Fund

Year Ended March 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current property taxes	\$ 27,000	\$ 27,000	\$ 27,275	\$ 275
Administrative fees	-	-	8,396	8,396
Total taxes	27,000	27,000	35,671	8,671
Intergovernmental				
State shared revenue	62,000	62,000	59,226	(2,774)
Metro Act	3,500	3,500	3,436	(64)
Total intergovernmental	65,500	65,500	62,662	(2,838)
Charges for services				
Cemetery	9,000	9,000	11,150	2,150
Interest	1,000	1,000	4,806	3,806
Other revenue				
Miscellaneous	1,600	1,600	646	(954)
TOTAL REVENUES	104,100	104,100	114,935	10,835
EXPENDITURES				
General government				
Township board	13,600	13,062	12,408	654
Supervisor	3,700	3,500	3,750	(250)
Clerk	9,700	9,550	9,455	95
Board of review	760	615	598	17
Treasurer	9,800	13,660	13,740	(80)
Assessor	6,700	7,725	6,872	853
Elections	4,200	4,761	4,732	29
Township hall	12,700	14,050	14,559	(509)
Cemetery	11,200	14,087	13,618	469
Total general government	72,360	81,010	79,732	1,278
Public works				
Drains	2,000	-	-	-0-
Highways, streets and bridges	23,840	23,840	23,636	204
	25,840	23,840	23,636	204
Health and welfare				
Ambulance	3,900	3,900	3,863	37
Recreation and cultural				
Park	1,500	1,500	-	1,500

Township of Elba

General Fund

Year Ended March 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES - CONTINUED				
Other				
Other	\$ 500	\$ -	\$ -	\$ -0-
TOTAL EXPENDITURES	<u>104,100</u>	<u>110,250</u>	<u>107,231</u>	<u>3,019</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(6,150)	7,704	13,854
OTHER FINANCING USES				
Transfers out	-	-	(1,500)	(1,500)
NET CHANGE IN FUND BALANCE	-0-	(6,150)	6,204	12,354
Fund balance, beginning of year	<u>208,082</u>	<u>208,082</u>	<u>208,082</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 208,082</u>	<u>\$ 201,932</u>	<u>\$ 214,286</u>	<u>\$ 12,354</u>

Township of Elba

Bridge Fund

Year Ended March 31, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 500	\$ 500	\$ 6,034	\$ 5,534
EXPENDITURES				
Public works				
Bridges	-	-	4,480	(4,480)
EXCESS OF REVENUES OVER EXPENDITURES	500	500	1,554	1,054
Fund balance, beginning of year	178,482	178,482	178,482	-0-
Fund balance, end of year	<u>\$ 178,982</u>	<u>\$ 178,982</u>	<u>\$ 180,036</u>	<u>\$ 1,054</u>

Township of Elba

Fire Fund

Year Ended March 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 19,900	\$ 19,900	\$ 20,586	\$ 686
Interest	100	100	115	15
TOTAL REVENUES	20,000	20,000	20,701	701
EXPENDITURES				
Public safety				
Fire protection	20,000	20,000	19,179	821
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	1,522	(120)
Fund balance, beginning of year	26,312	26,312	26,312	-0-
Fund balance, end of year	<u>\$ 26,312</u>	<u>\$ 26,312</u>	<u>\$ 27,834</u>	<u>\$ 1,522</u>

OTHER SUPPLEMENTARY INFORMATION

Township of Elba

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

March 31, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Street Lights	Park	Cemetery	
ASSETS				
Cash and cash equivalents	\$ 2,829	\$ 2,810	\$ 2,509	\$ 8,148
Investments	-	-	34,518	34,518
Due from other governmental units	589	-	-	589
TOTAL ASSETS	<u>\$ 3,418</u>	<u>\$ 2,810</u>	<u>\$ 37,027</u>	<u>\$ 43,255</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -0-
FUND BALANCES				
Reserved for				
Cemetery maintenance	-	-	37,027	37,027
Unreserved				
Undesignated, reported in Special revenue funds	<u>3,418</u>	<u>2,810</u>	<u>-</u>	<u>6,228</u>
TOTAL FUND BALANCES	<u>3,418</u>	<u>2,810</u>	<u>37,027</u>	<u>43,255</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,418</u>	<u>\$ 2,810</u>	<u>\$ 37,027</u>	<u>\$ 43,255</u>

Township of Elba

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Street Lights	Park	Cemetery	
REVENUES				
Taxes	\$ 3,600	\$ -	\$ -	\$ 3,600
Charges for services	-	-	900	900
Interest and rents	-	-	1,018	1,018
TOTAL REVENUES	3,600	-0-	1,918	5,518
EXPENDITURES				
Current				
Public works	3,628	-	-	3,628
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(28)	-0-	1,918	1,890
OTHER FINANCING SOURCES				
Transfers in	-	1,500	-	1,500
NET CHANGE IN FUND BALANCES	(28)	1,500	1,918	3,390
Fund balances, beginning of year	3,446	1,310	35,109	39,865
Fund balances, end of year	\$ 3,418	\$ 2,810	\$ 37,027	\$ 43,255

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

MANAGEMENT LETTER

To the Members of the Township Board
Township of Elba
Ashley, Michigan

As you know, we have recently completed our audit of the records of the Township of Elba, Michigan as of and for the year ended March 31, 2007. In connection with the audit, we feel that changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control and our discussions with management.

1. Budgets should be adopted for all funds and monitored and amended when necessary.

As noted in the annual financial statements, some of the budgeted activities of the Township exceeded the amounts appropriated. The variances noted were in the General Fund and the Special Revenue (Bridge) Fund.

It is a violation of Michigan Public Act 621 of 1978, as amended, for the Township to incur expenditures in excess of the amounts appropriated.

We suggest the Township monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

2. Authorized rates of pay should be documented in writing.

During the course of our audit, it was noted that no formally authorized documentation exists for some employee pay rates.

We suggest that the Board formally document all authorized pay rates and that documentation should be placed in the personnel files.

3. The Board should amend the Township's investment policy to address the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Township has not amended their investment policy to address various areas of risk as described in GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Township's funds. These resources are necessary for the delivery of the Township's services programs. Effective for the year ended March 31, 2007, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements. These conditions did not affect our report on the financial statements dated June 19, 2007.

This report is intended solely for the information of management and the Members of the Township Board of the Township of Elba and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

A handwritten signature in black ink that reads "Abraham & Gaffney, P.C." in a cursive script.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING ON AN AUDIT OF THE FINANCIAL STATEMENTS

To the Members of the Township Board
Township of Elba
Ashley, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Elba as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Elba's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following significant deficiencies to be material weaknesses:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Township of Elba. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the Township consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand the requirements of preparing the financial statements and so that they may take responsibility for the statements and the appropriate disclosures.

RECONCILIATION OF BANK STATEMENTS

During the course of our audit, it was noted that the bank reconciliations were not being reconciled to the general ledger in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's bank reconciliations in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for ensuring that the bank reconciliations are correctly reconciled to the general ledger in conformity with accounting principles generally accepted in the United States of America. The auditor cannot be a part of the internal controls.

We recommend the Township ensure that bank reconciliations are reconciled to the general ledger each month to assure there are no material misstatements, and assure they are done in accordance with accounting principles generally accepted in the United States of America.

We noted certain matters that we reported to management of Elba Township in a separate letter dated June 19, 2007.

This report is intended solely for the information and use of management, the Members of the Township Board of the Township of Elba, and others within the organization, and the applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham ! Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007